

REPORT ON THE AUDIT OF THE  
HARDIN COUNTY SHERIFF

CHARLES A. WILLIAMS, SHERIFF

---

YEAR ENDED DECEMBER 31, 2007

## EXECUTIVE SUMMARY

### AUDIT EXAMINATION OF THE HARDIN COUNTY SHERIFF

For The Year Ended  
December 31, 2007

Stiles, Carter & Associates, PSC, has completed the Hardin County Sheriff's audit for the year ended December 31, 2007. Based on the audit work performed, the financial statements present fairly, in all material respects, the revenues and expenditures of the Sheriff and the revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Hardin County Sheriff had total receipts of \$3,285,048, which was a \$765,004 increase from the prior year. The sheriff paid \$312,806 of the above receipts to the county government fund. This was an increase of \$62,549 from the prior year. In addition, operating disbursements increased by \$240,041.

#### **Lease Agreement:**

A lease agreement for two copiers totaled \$12,660 at the inception of the agreement in 2006. As of December 31, 2007 the future principal and interest payments of \$8,229 are needed to meet this obligation.

#### **Deposits:**

The County Sheriff's deposits were adequately insured and collateralized by bank securities as of December 31, 2007.

HARDIN COUNTY

CHARLES A. WILLIAM, COUNTY SHERIFF

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YEAR ENDED DECEMBER 31, 2007

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THEODORE C. STILES, CPA  
BENJAMIN E. CARTER, CPA  
JOHN R. ASHCRAFT, CPA  
J. SCOTT KISSELBAUGH, CPA  
BRIAN S. WOOSLEY, CPA  
CHRIS R. CARTER, CPA  
CHERYLE L. BEAUCHAMP, CPA  
J. ALTON PIKE, CPA  
PHILIP A. LOGSDON, CPA



## STILES, CARTER & ASSOCIATES, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

2901 RING ROAD EAST

P. O. BOX 622

ELIZABETHTOWN, KY 42702-0622

TELEPHONE 270/769-6371

FAX 270/765-7934

[www.stilescartercpas.com](http://www.stilescartercpas.com)

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### INDEPENDENT AUDITOR'S REPORT

Honorable Harry L. Berry, Hardin County Judge/Executive  
Honorable Charles A. Williams, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the Sheriff of Hardin County, Kentucky, and the statement of revenues, expenditures, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2007. These financial statements are the responsibility of the County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note A, the County Sheriff prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues, expenditures and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note A.

Honorable Charles A. Williams, Hardin County Sheriff  
Honorable Harry L. Berry, Hardin County Judge/Executive  
Members of the Hardin County Fiscal Court

In accordance with *Government Auditing Standards*, we have also issued a report dated January 22, 2010, on our consideration of the Sheriff's internal control over financial reporting, and on tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Hardin County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Stiles, Carter + Associates*

Certified Public Accountants  
January 22, 2010

HARDIN COUNTY  
CHARLES A. WILLIAMS, SHERIFF  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

YEAR ENDED DECEMBER 31, 2007

Revenues

State Fees for Services		\$	529,165
Circuit Court Clerk			69,888
Fiscal Court			1,065,954
County Clerk			8,888
Commission on Taxes			1,037,304
Fees collected for services:			
Auto Inspections	45,485		
Accident and Police Reports	66		
Security Checks	963		
Serving Papers	235,308		
Executions	11,469		
Carrying Concealed Deadly Weapon Permits	16,535		
Sheriff's Advertising Fees and Costs	31,985		341,811
<hr/>			
Other Revenues:			
10% Add-On Fees	195,912		
Juror Meals	1,650		
Interest Earned	33,784		
Miscellaneous	692		232,038
<hr/>			
Total Revenues			3,285,048

Expenditures

Expenditures:			
Extraditions	\$	79,223	
Executions		11,109	
Juror Meals		1,650	91,982
<hr/>			
Total Expenditures			91,982
<hr/>			
Net Revenues		\$	3,193,066
Payments to State Treasurer:			
75% Operating Fund		2,880,260	
25% County Fund		312,806	3,193,066
<hr/>			
Balance Due at Completion of Audit		\$	-
<hr/>			

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
CHARLES A. WILLIAMS, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For the Year Ended December 31, 2007

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2007	\$ -	\$ -	\$ -
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	2,880,260	-	2,880,260
Fees Paid to State - County Funds (25%)	-	312,806	312,806
Total Funds Available	2,880,260	312,806	3,193,066
<u>Expenditures</u>			
Hardin County Government	-	154,049	154,049
Personnel Services-			
Official's Statutory Maximum	96,517	-	96,517
Deputies Salaries	1,378,862	-	1,378,862
Employee Benefits-			
Employer Share Social Security	103,177	-	103,177
Employer Share Retirement	431,557	-	431,557
Employer's Paid Health Insurance	134,379	-	134,379
Employer's Paid Life Insurance	889	-	889
Training Fringe Benefit	3,387	-	3,387
Contracted Services-			
Advertising	8,730	-	8,730
Benefit Fees	1,182	-	1,182
Computer Services	17,606	-	17,606
Materials and Supplies-			
Office Supplies	26,053	-	26,053
Uniforms	14,853	-	14,853
Uniform Maintenance	4,171	-	4,171
Law Enforcement Supplies	15,978	-	15,978
Other Charges-			
Training	12,791	-	12,791
Dues/Insurance	96,575	-	96,575
Postage	24,142	-	24,142
Radio Maintenance	1,461	-	1,461
Telephone	17,130	-	17,130
Video Arraignment	7,866	-	7,866

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY  
CHARLES A. WILLIAMS, SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE SHERIFF'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For the Year Ended December 31, 2007

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Auto Expenses-			
Gasoline	60,955	-	60,955
Maintenance and Repairs	28,399	-	28,399
Tires	8,855	-	8,855
Parking	220	-	220
Capital Outlay-			
Computer Hardware	4,304	-	4,304
Office Equipment	4,156	-	4,156
Vehicles	83,186	-	83,186
Total Expenditures	<u>2,587,381</u>	<u>154,049</u>	<u>2,741,430</u>
Fund Balance - December 31, 2007	<u>\$ 292,879</u>	<u>\$ 158,757</u>	<u>\$ 451,636</u>

The accompanying notes are an integral part of the financial statements.



HARDIN COUNTYCHARLES A. WILLIAMS, COUNTY SHERIFFNOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2007NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES1) Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official utilizes a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

2) Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the Sheriff as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2007

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

(Continued next page)

HARDIN COUNTYCHARLES A. WILLIAMS, COUNTY SHERIFFNOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2007NOTE B - EMPLOYEE RETIREMENT SYSTEM

Plan Description - The Sheriff participates in the County Employee Retirement System (CERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System's Board of Trustees. CERS provides benefits to its participants upon retirement. CERS issues a publicly available financial report that includes financial statements and required supplementary information for the retirement plan. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or by calling 502-564-4646.

Funding Policy - Plan members working in non-hazardous positions employed before September 1, 2008, are required to contribute 5% of their annual covered salary and those hired on or after September 1, 2008, are required to contribute 6% of their annual covered salary. Members working in hazardous positions employed before September 1, 2008, are required to contribute 8% of their annual covered salary and those hired on or after September 1, 2008, are required to contribute 9% of their annual covered salary. The Sheriff is required to contribute at an actuarially determined rate. The current rates are 16.17% and 33.87% respectively of members' non-hazardous and hazardous payroll. The contribution requirements of the Sheriff are established and may be amended by the Kentucky Retirement System's Board of Trustees. The Sheriff's contribution requirements to CERS for the years ending December 31, 2007, 2006, and 2005 were \$526,967, \$425,229, and \$389,075 which consisted of \$418,034, \$324,974, and \$285,514 from the Sheriff and \$108,933, \$100,255, and \$103,561, from the employees. Payroll for plan employees was \$1,407,496, \$1,261,538, and \$1,240,430. The City contributed the required percentage for the years ended December 31, 2007, 2006, and 2005. Benefits under the plan will vary based on final compensation, years of service and other factors as fully described in the Plan documents.

NOTE C - DEPOSITS

The Sheriff maintained deposits of public funds with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Sheriff's deposits may not be returned or that the Sheriff will not be able to recover collateral securities in the possession of an outside party. At December 31, 2007 \$2,108,995 of the Sheriff's bank balances of \$2,315,014 was exposed to custodial credit risk. Of the amount exposed to custodial credit risk, \$2,108,995 was collateralized by securities held by the pledging financial institution.

(Continued next page)

HARDIN COUNTYCHARLES A. WILLIAMS, COUNTY SHERIFFNOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2007

(Concluded)

NOTE D - LEASES

Hardin County Sheriff is committed to a lease agreement with Imagistics for two copiers. The agreement requires a monthly payment of \$211 for 60 months to be completed on April 30, 2011. The total remaining balance of the agreement was \$8,229 as of December 31, 2007.

NOTE E - GRANTS

## 1) Highway Safety Grant

The Sheriff received a highway safety grant from the Kentucky State Police Highway Safety Program in the amount of \$4,760. This is a reimbursement grant that continues into 2008.

## 2) Justice Assistance Grant (JAG)

During 2006 the Sheriff received a grant of \$12,244 from the United States Department of Justice for technology upgrades and training resource enhancement. All funds were expended during 2007 with \$6,122 being allocated to the Elizabethtown Police Department.

## 3) DARE Account

The Sheriff maintains a Drug Awareness Resistance Education (DARE) Account, which had a beginning balance of \$3,511. During 2007 receipts were \$2,957 and disbursements were \$725, leaving a balance at December 31, 2007 of \$5,743.

## 4) Drug Investigation

The Sheriff maintains a drug investigation account, which had a beginning balance of \$5,235. There were no receipts or disbursements during 2007, leaving a balance at December 31, 2007 of \$5,235.

## 5) Surplus Tax Accounts

The Sheriff had surplus tax accounts that totaled \$8,412 as of December 31, 2007 and consisted of the following:

2000 Tax Year Surplus	\$	605
2001 Tax Year Surplus		5,415
2004 Tax Year Surplus		790
2005 Tax Year Surplus		884
2006 Tax Year Surplus		718
		<hr/>
	\$	8,412
		<hr/>

KRS 393.090 states that after three years, if the funds have not been claimed, they are presumed abandoned, and abandoned funds are required to be sent to the Kentucky State Treasurer by KRS 393.110.

INTERNAL CONTROL  
AND FISCAL COMPLIANCE

THEODORE C. STILES, CPA  
BENJAMIN E. CARTER, CPA  
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J. ALTON PIKE, CPA  
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## STILES, CARTER & ASSOCIATES, P.S.C.

CERTIFIED PUBLIC ACCOUNTANTS

2901 RING ROAD EAST

P. O. BOX 622

ELIZABETHTOWN, KY 42702-0622

TELEPHONE 270/769-6371

FAX 270/765-7934

[www.stilescartercpas.com](http://www.stilescartercpas.com)

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REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Harry L. Berry, Hardin County Judge/Executive  
Honorable Charles A. Williams, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

We have audited the financial statements - regulatory basis of the Hardin County Sheriff for the year ended December 31, 2007, and have issued our report thereon dated January 22, 2010. The Sheriff's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hardin County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Honorable Harry L. Berry, Hardin County Judge/Executive  
Honorable Charles A. Williams, Hardin County Sheriff  
Members of the Hardin County Fiscal Court  
(Continued)

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Sheriff's financial statements as of December 31, 2007, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Hardin County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

*Stiles, Carter & Associates*

Certified Public Accountants  
January 22, 2010

THEODORE C. STILES, CPA  
BENJAMIN E. CARTER, CPA  
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2901 RING ROAD EAST

P. O. BOX 622

ELIZABETHTOWN, KY 42702-0622

TELEPHONE 270/769-6371

FAX 270/765-7934

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Honorable Harry L. Berry, Hardin County Judge/Executive  
Honorable Charles A. Williams, Hardin County Sheriff  
Members of the Hardin County Fiscal Court

We have audited the statement of revenues and expenditures-regulatory basis of the Sheriff of Hardin County, Kentucky, and the statement of revenues, expenditures, and fund balances-regulatory basis of the Sheriff of Hardin County, Kentucky for the year ended December 31, 2007, and have issued our report thereon dated January 22, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 4, 2009. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Sheriff are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2007. We noted no transactions entered into by the Sheriff during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the misstatements detected as a result of audit procedures and corrected by management were not material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated January 22, 2010.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Sheriff's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Hardin County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than those specified parties.

*Stiles, Carter + Associates*

Certified Public Accountants  
January 22, 2010